









# NAVAL POSTGRADUATE SCHOOL

## Monterey, California



## THESIS

IMPACT OF ALTERING THE DELINQUENT DEBT  
THRESHOLD USED FOR BACKGROUND INVESTIGATION  
EXPANSION ON THE DENIAL RATE OF SECURITY  
CLEARANCES

by

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Impact of Altering the Delinquent Debt Threshold  
used for Background Investigation Expansion on the Denial Rate  
of Security Clearances

by

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## ABSTRACT

The purpose of this thesis was to conduct an analysis of cases of requests for Top Secret security clearances from applicants whose backgrounds showed some derogatory financial information, to determine the impact of the delinquent debt threshold used to expand personnel security investigations on final clearance decisions. To conduct the analysis, a sample of completed cases meeting the Defense Investigative Service's (DIS) delinquent debt criteria for investigation expansion (\$500 or more outstanding for 120 days) was selected. The total amount of delinquent debt for each case was recorded and classified in one of three debt categories, under \$1000, \$1000 to \$2000, and over \$2000. In order to determine final clearance decisions, the sample data were merged with the Defense Central Investigations (DCII) data base. This provided a breakdown by clearance denials and approvals at the various delinquent debt categories. The analysis suggests that delinquent debt levels play less of a role in determining final clearance outcomes than was originally anticipated; it also provide some empirical support for raising the delinquent debt threshold above the current \$500 threshold amount.

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## I. INTRODUCTION

### A. STATEMENT OF THE PROBLEM

The Defense Investigative Service's (DIS) principal mission is to conduct personnel security investigations and to determine security clearance eligibility for all Department of Defense (DoD) military and civilian personnel and for employees of industrial firms working on classified government programs. The clearance is a determination that is consistent with the national interest to grant or continue a security clearance for an applicant. It is in effect, a prediction of an individual's future behavior and whether the person can be relied on to protect the country's most sensitive information. Personnel who are granted clearances are important because, in the final analysis, the nation's survival may depend upon the ability of cleared personnel to protect the nation's secrets and to help the U.S. maintain its technological superiority over potential enemies.

The purpose of security investigations is to select the most trustworthy personnel for sensitive or critical positions. Occasionally, during the course of an investigation, unfavorable or adverse information is reported that may place the applicant's security clearance



in jeopardy. One category of unfavorable information that has received considerable attention from the DIS in recent years is derogatory financial background information. In a continuing effort to evaluate the effectiveness of its policies and procedures, DIS has been concerned about the reasonableness of its current delinquent debt criteria for investigation expansions. An investigation now is expanded when the credit bureau report discloses an account(s) with a cumulative unpaid balance of \$500 or more and 120 days or more past due. This may include cases of (1) repossessions, (2) making payments under a wage earner plan or similar arrangement, (3) debts that are charged off, (4) debts charged off with no balance on the credit report, (4) debts placed for collection, or (5) outstanding delinquent debt not placed for collection or charged off. Expansion means that the scope of the investigation must be broadened, as necessary, to resolve the unfavorable information that was known at the time the investigation was initiated or was developed during the course of the investigation.

When potentially derogatory financial information is reported or discovered in an applicant's background and it meets DIS' threshold criteria, an expanded investigation on the issue(s) in question is initiated and the case is designated as an "issue case" [Ref. 11:p. 1]. Issue cases are important because they signify that there is adverse information in the person's background which might reflect

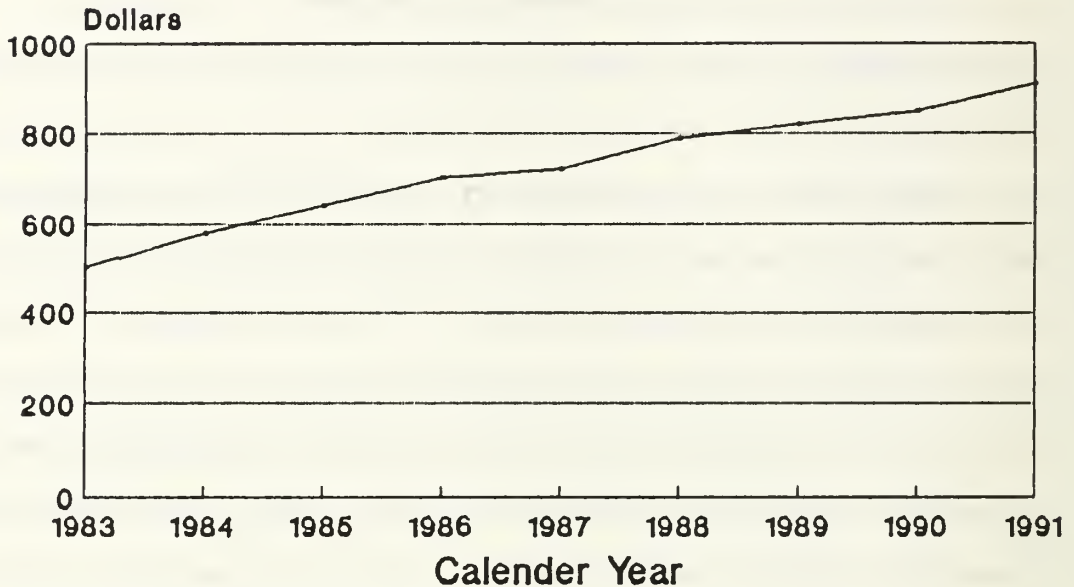
negatively on that person's trustworthiness and reliability and, thus, on qualifications to hold a high level security clearance. The operational significance of the issue case designation is that expanded investigations require substantially more personnel and budgetary resources. [Ref. 11:p. 1]

There has been no analysis conducted to determine the impact that the current DIS delinquent debt threshold has on final clearance determinations. If this threshold is too low, DIS must expend significant time and money to uncover additional information that may not have any impact on final clearance decisions. If an analysis determines that this threshold amount can be raised, it would mean that DIS could reduce the number of expanded investigations and free up scarce resources for use in other security programs.

The Defense Investigative Service's current delinquent debt threshold was established in May 1983 [Ref. 2]. Since then, eight years have passed and there have been a number of changes in the U.S. economy. One of these changes is the increase in consumer prices. Figure 1 compares the cost of a \$500 market basket bought by a typical consumer in May 1983 when the current delinquent debt threshold was established with the amount it would cost today. That figure was computed by using the monthly consumer index publications from May 1983 until March 1991. The graph shows that the same market basket bought in 1983 for \$500

# \$500 MARKET BASKET

(Purchasing Same Basket of Goods  
In 1991 Compared To 1983 Using CPI)



Source: Monthly CPIs May 1983-Mar 1991

Figure 1. \$500 Market Basket

would now cost almost twice as much.

Another major economic change is that budget deficits have been at an all time high. With almost yearly legislation calling for a balanced budget and a decreased perception of there being a serious external military threat to national security, all DoD components should anticipate having to complete their missions with fewer resources.

As the Director, Defense Investigative Service stated in a November 1988 memorandum to the Assistant Deputy Under

Secretary of Defense for Counterintelligence and Security,

the personnel security program is not static, it is dynamic and requires reevaluation to ensure that policies and procedures continue to be effective and an appropriate use of resources [Ref. 1].

In the Defense Investigative Service's report on achievements in 1989, it was reported that the number of cases in which derogatory information was developed before the investigation was closed has been increasing over the past few years. Furthermore, the percentage of issue cases to total cases closed had increased from 8.7 percent in fiscal year 1980 to 20.8 percent in fiscal year 1989 [Ref.3:p. 11].

Overall investigation closings have been unable to keep pace with overall openings since 1985, mainly because of budget cuts [Ref. 3:p.10]. With more budget cuts on the horizon, the Defense Investigative Service must find ways to meet possible future resource reductions while, at the same time, maintain a viable investigative organization. There may be possible savings in the area of investigation expansions if the criteria used for expansions are carefully analyzed and evaluated.

## **B. OBJECTIVES OF THIS ANALYSIS**

The purpose of this thesis is to conduct an analysis of cases with derogatory financial background information to determine the impact of the level of delinquent debt used to

expand investigations on final clearance decisions. If a higher delinquent debt threshold is considered acceptable in place of the one currently in use and is implemented, DIS would be able to shift vital resources from investigation expansions to more critical program areas.

### C. DEFINITION OF TERMS

To assist the reader in fully understanding Defense Investigative Service terminology, this section provides an alphabetical listing, of selected terms found in this report and their definitions.

1. Adjudication - The process whereby an adjudicator analyzes derogatory data acquired in a personnel security investigation and attempts to reconcile those data with standards for granting a security clearance.
2. Adjudicator - A person who evaluates the information set forth within a completed personnel security investigation and makes a determination of whether or not it is clearly consistent with the interest of national security to grant the subject of the investigation or continue a security clearance [Ref. 4:p. 1-3].
3. Background Investigation (BI) - An inquiry into the activities of an individual that is designed to develop information on which to base decisions regarding access and sensitive program participation. A BI is the minimum investigative requirement for granting a Top Secret clearance or for participation in certain sensitive programs. The period of investigation covers the last five years of the subject's life or from the date of the 18th birthday, which ever is the shorter period, provided it covers the last two full years of the subject's life but does not precede the 16th birthday. It consists of verification of birth, citizenship, education and employment; a review of all federal agencies for derogatory information (National Agency Check); a credit check; a check of appropriate criminal records; character references; and an



interview with the subject. [Ref. 4:p. 2-8]

4. Expansion - Conducted when significant adverse information meeting the DIS's threshold criteria is reported or developed during the course of a personnel security investigation. The adverse information must be resolved before the applicant can be granted a clearance. A DIS agent must interview the applicant and take a statement concerning the adverse information. The agent acquires written or oral statements from the other parties involved (e.g. creditors) and documents the findings, which become part of the investigation.
5. Highly Sensitive Position - A position in which the incumbent could take actions, such as theft of classified information, that would lead to a materially adverse effect on the national security, as in the case of espionage.
6. National Agency Check (NAC) - A search of the indexes and files of appropriate federal agencies for information bearing on the loyalty, trustworthiness, and suitability of individuals under the investigative jurisdiction of the Department of Defense (DoD) [Ref. 4:p. 1-4].
7. Periodic Reinvestigation (PR) - Conducted every five years for personnel with completed background investigations and every 6 years for personnel with completed National Agency Checks and Secret access. Involves completion of a NAC, verification of employment, local agency checks, credit check, an interview with the subject, and field interviews with coworkers and references.
8. Personnel Security Investigation (PSI) - An investigation required for the purpose of determining an individual's eligibility for access to classified information, retention in sensitive positions, or other designated duties requiring such an investigation. PSIs, which include investigations of subversive affiliations and suitability, are conducted for the purpose of making personnel security determinations. They also include investigations of allegations which arise subsequent to adjudicative actions. [Ref. 4:p. 1-5]
9. Scoping - The process of reviewing an investigative request, as well as ongoing investigative efforts for the purpose of determining the areas and the depth into

which an investigative inquiry is to be made [Ref. 4:p. 1-5].

10. Sensitive Compartmented Information (SCI) - Intelligence or intelligence related materials that require special handling. The Director of Central Intelligence is responsible for protecting this information.
11. Special Background Information (SBI) - Minimum requirement for access to Sensitive Compartmented Information and to participate in certain other sensitive programs. The period of investigation covers the last 15 years of the applicant's life or from the date of the 18th birthday, provided it covers at least the last two years. Includes all requirements of a Background Investigation. The National Agency Check coverage is increased, and neighborhood checks are made, with interviews of knowledgeable neighbors when available. [Ref. 4:p. 2-11]

#### D. SUMMARY

The purpose of this thesis is to conduct an analysis to determine the impact on final security clearance determinations of raising the delinquent debt threshold currently used by the DIS to determine whether to expand personnel security investigations. To conduct the analysis, a sample of completed cases with derogatory financial background information that met DIS's delinquent debt criteria was selected. The total amount of delinquent debt for each case was computed and coded for computer input. The sample file was then merged with the Defense Central Investigations Index (DCII) file to determine the final clearance decision for each case. This provided a sample breakdown of clearance approvals and denials at the various

delinquent debt levels. In the sample, denials at every delinquent debt level was very low. The analysis suggests that delinquent debt levels play less of a role in determining final clearance outcomes than was originally anticipated; it also provides some empirical support for raising the delinquent debt threshold above the current \$500 amount.

## II. BACKGROUND AND LITERATURE REVIEW

### A. DIS ORGANIZATION AND RESPONSIBILITIES

The Defense Investigation Service (DIS) is a centrally directed security investigative service for the Department of Defense (DoD). It is a separate agency of DoD under the direction of the Deputy Under Secretary for Security Policy. DIS was established to consolidate DoD's personnel security process and to eliminate the need for different DoD components (e.g. Navy, Air Force, and Army) to employ their own investigative staffs. DIS has personnel security investigative authority over DoD civilian personnel, the military services, contractor personnel and other personnel who are affiliated with DoD. DIS's organization includes regional investigative offices, field activities, the Personnel Investigations Center (PIC) located in Baltimore, Maryland, and the Defense Industrial Security Clearance Office (DISCO) located in Columbus, Ohio. Special agents at regional offices and field activities are responsible for conducting personnel security investigations. When an application for a security clearance is submitted, PIC initiates the investigation process by assigning it to a field activity. PIC, as one of the quality assurance arms of DIS, is responsible for the proper management of a

clearance request from beginning to end. DISCO is responsible for processing industrial personnel security clearance applications submitted to PIC. DISCO reviews all industrial security clearance investigation findings and either grants a clearance or refers the case to the Directorate for Industrial Security Clearance Review (DISCR). DISCR is part of the DoD Office of the General Counsel and is responsible for making final determination of eligibility for a security clearance in cases which have significant adverse information. DoD civilian and military personnel cases with significant adverse information are forwarded to the DoD components that requested the clearance and those components perform the adjudication.

#### **B. PERSONNEL SECURITY INVESTIGATION PROCESS**

DoD Regulation 5200.2-R establishes DoD personnel security policies and procedures, identifies standards and guidelines for personnel security determinations and prescribes the types of investigations needed to satisfy security clearance requirements for sensitive positions [Ref. 5]. The objective of a personnel security investigation is to determine an individual's eligibility for access to classified information and assignment to a sensitive or critical position.

An agency requests the security clearance needed for an applicant on the basis of the level of classified



information the applicant needs to do his job. National security information is classified at one of three levels: Top Secret, Secret, or Confidential. The level of classification depends on the extent of damage to national security which could result from the unauthorized disclosure of the information. Unauthorized disclosure of Top Secret information could cause exceptionally grave damage; Secret, serious damage; and Confidential, damage.

In general, the higher the sensitivity of the position, the higher the clearance level, and thus the more extensive the investigation process. An investigation to grant a top secret clearance costs a lot more and is more manpower-intensive than an investigation for a secret clearance. Although the stated purpose of the program is to identify and select individuals with favorable background information, personnel security procedures are not structured to identify behavioral information useful in selecting people for sensitive positions [Ref. 8: p. 4].<sup>1</sup> Instead, negative or derogatory information is sought in order to deny untrustworthy people clearances. Under these circumstances, rejection for a security clearance as a result of a background investigation has serious negative

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<sup>1</sup>Agencies such as the Central Intelligence Agency (CIA) and Federal Bureau of Investigations (FBI) data files are checked by DIS during the investigative process to detect evident of past derogatory behavior of a criminal nature. In credit bureaus reports, the DIS is primarily interested in signs of financial irresponsibility.

result of a background investigation has serious negative implications. Disqualified individuals are labeled as security risks. Relatively few military (less than 3 percent) are denied clearances based on background investigations, and less than 1 percent of contractors' personnel are denied clearances [Ref. 8:p. 4].

When derogatory information is reported during an investigation and requires resolution, a determination must be made by case controllers at the Personnel Investigations Center concerning whether the investigation needs to be expanded. The scope must be expanded to resolve potentially significant adverse information that was either self-reported or uncovered during the investigation. If there is no requirement to conduct a complete investigation, as in the case of a complaint (an allegation of unsuitable behavior made concerning a person who, at the time of the allegation, already holds a security clearance), the investigation will cover only those issues necessary to resolve the adverse information.

### **C. SUITABILITY INFORMATION**

Most clearance denials by DoD authorities are based on derogatory suitability information. The Department of Defense Manual for Personnel Security Investigations, which also establishes basic adjudication policy, provides the following examples of derogatory suitability information:

(1) criminal conduct, (2) drug usage, (3) unethical conduct, (4) falsification-misrepresentation, (5) financial irresponsibility, (6) foreign travel-foreign connections, (7) use of intoxicants, (8) questionable loyalty, (9) mental illness, (10) dubious moral character, (11) refusal by subject to answer background questions, and (12) sexual misconduct [Ref. 2:p 2-28].

This study focuses on the unsuitability issue of financial irresponsibility and, specifically, the delinquent debt threshold standard used by the Defense Investigative Service to expand investigations. Is the delinquent debt threshold of \$500 outstanding for 120 days significant enough to require an expanded investigation, and what impact does the level of delinquent debt have on the final clearance determination? This report attempts to resolve these questions.

If an investigation discloses that a history of financial irresponsibility exists, that financial problems continued after a bankruptcy, uncertainty whether delinquent accounts with zero balances were paid or charged off, or adverse information that delinquent debt exceeds the threshold, then the case is expanded. The applicant is interviewed by a DIS agent, is given the opportunity to explain the circumstances surrounding the unfavorable information and to make a statement. The scope of the investigation is broadened as necessary to resolve the

Adverse financial information and the indebtedness of individuals are major concerns of DIS because it is believed that people who have major financial difficulties may be more prone to accepting money in exchange for classified information. It is also believed that they may behave in a less responsible manner, which might also constitute a security threat. Effective individual prediction of who will and will not become a spy before the fact is extremely difficult, if not impossible, to accomplish. The Defense Investigative Service investigative process attempts to identify individuals who are higher security risks than others. A person with significant delinquent debt is considered to be in that higher security risk category.

#### **D. LITERATURE REVIEW**

The rash of espionage in the U.S. during the 1980s brought the personnel security investigation process under considerable scrutiny. Many, including Congress, questioned the Defense Investigative Service's ability to perform its primary mission of identifying those individuals that the nation would trust with its most sensitive information. Hearings were held and studies were conducted to evaluate and to provide recommendations to improve the investigative process. The significant findings and recommendations from these various studies are discussed in this section.

## 1. Number of Security Clearances

In a July 1988 article for Security Management, Thomas J. O'Brien, the Director of DIS at that time, wrote that

personnel security clearances and the individuals who hold them have always represented the weakest link in any security system. Reduction in the number of cleared personnel represents a commensurate reduction in risk. [Ref. 14:p. 62]

In April 1985, hearings were held before the Senate Permanent Subcommittee on Investigations concerning the effectiveness of the government's security clearance programs. The consensus among virtually all the witnesses was that, in the national security field, too many clearances were being requested, too many were being granted and, unless the numbers were reduced substantially, the ultimate result would be a personnel security system of significantly diminished value [Ref. 1:p. 2]. During these hearings, the Defense Investigative Service (DIS) estimated that the number of Department of Defense (DoD) clearances for military, civilian, contractor personnel and reservists was over 4,306,000 (a 40 percent increase from 1980 to 1985) and acknowledged that the sheer magnitude of the numbers of cleared employees presented a nearly insurmountable manpower problem for the Defense Investigative Service [Ref. 12:pp. 2-3]. A study by the DoD Industrial Security Review Committee in 1984 [Ref. 13:p. 74] and a study by the House Permanent Select Committee on Intelligence [Ref. 7:P. 2]



agreed with the findings of the Senate Permanent Subcommittee on Investigations.

To deal with this proliferation of personnel security clearances, in 1985 the Secretary of Defense implemented a clearance reduction program within the government and industry. By 1988, the DoD had reduced the total number of clearances from 4.2 million in 1985 to 2.8 million. Contractor clearances included in this total were reduced from a level of 1.4 million to 1.1 million [Ref. 10: p. 13].<sup>2</sup>

## **2. Delays In Processing Personnel Security Clearances**

A major fallout of the proliferation of security clearances was inordinate delays in processing security requests. The DoD Industrial Security Review Committee in its report to the Deputy Undersecretary of Defense for Policy wrote:

personnel security clearance processing time is excessive and wasteful. Industry cannot afford to have its employees remain idle for months, or to place employees in temporary positions, while they await the granting of a personnel security clearance. Even if the processing goals established by the DIS are achieved, the time between the application for clearance and the clearance grant will remain excessive. [Ref. 12:p. 100]

The 1985 Stilwell Commission report [Ref. 6:p. 9]

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<sup>2</sup>Reference 10 on this page cites the total number of clearances in 1985 as 4.2 million whereas reference 12 on page 14 cites the total number of clearances in 1985 as 4.3 million. There was no basis for reconciling this small discrepancy.

and a 1981 General Accounting Office (GAO) report agreed with the DoD Industrial Security Review Committee finding. The GAO report noticed that security clearance requests for DoD and industry personnel increased from 766,700 in 1978 to 903,500 in 1981, or about 18 percent, but that DIS personnel who investigated and processed the requests had remain constant [Ref. 15:p. ii]. GAO found that an increase in the number of clearance requests and insufficient DIS staff to process this increase in requests as the main reasons for excessive delays in processing clearances. Although DoD standards for processing requests for a background investigation and national agency check were 90 and 30 days, respectively, as of May 1981 GAO found that industry requests for clearances were taking an average of 220 and 103 days, respectively [Ref. 15:p. ii].

To alleviate this excessive processing time for clearances, the Stilwell Commission and the DoD Industrial Security Review Committee recommended that DIS review all clearance requests for possible issuance of interim clearances. Because issuance of clearances under interim procedures had not proven unduly risky, the DoD Industrial Security Review Committee believed that the granting of interim clearances to nominees whose personnel security questionnaire did not contain significant derogatory information and who had passed a National Agency Check could be used system-wide. Nationwide, clearance denials were

much less than 1 percent annually (.04 percent in FY 1982 and .06 percent in FY 1983); and the DoD Industrial Security Review Committee felt that any additional perceived risk, which was considered negligible, was more than offset by the strengthened scoping and five year reinvestigation. [Ref. 13:p. 85] In addition to the timeliness factor, the DoD Industrial Security Review Committee felt that adoption of such a system would substantially reduce unnecessary clearance requests by reducing the tendency of contractors to submit clearance applications as a contingency measure [Ref. 13:p. 85].

The GAO Report disagreed with the Stilwell Commission and the DoD Industrial Security Review Committee recommendation on how to reduce clearance processing time. GAO recommended a reprogramming of the budget to provide the DIS authority to hire the additional personnel needed to expedite the investigation and processing of personnel security clearances [Ref. 15: p. iv]. Also, GAO did not recommend increasing the number of interim clearances. GAO felt that a substantial increase in the number interim clearances increased the potential for compromise of national security information, because investigative work done after the interim clearance is issued could provide information that requires revocation of the clearance after an individual has already had access to classified information [Ref. 15:p. 10].

As recommended by the Stilwell Commission and the DoD Industrial Security Review Committee, an interim clearance program was implemented by the Defense Industrial Security Clearance Office (DISCO) in January 1989. During fiscal year 1989, DISCO reviewed 82,445 clearance requests to make an interim clearance determination. Of those, 69,331 were issued and 13,114 were denied [Ref. 3:p. 15]. On the average, interim clearance was issued within 5 days and only .06 percent of the interim clearances granted were subsequently withdrawn [Ref. 3:p. 15]. In its annual report, DIS wrote that the impact of the interim clearance was significant; approximately 45 days of clearance processing time was eliminated, thereby allowing contractors to utilize their employees immediately on classified contracts. DIS estimated that this reduction in processing time resulted in a savings to industry and ultimately to the government of over \$182 million in fiscal year 1989 [Ref. 3:p. 15].

Other innovations that DIS has implemented to speed clearance processing time include a program that allows electronic transfer of personnel security questionnaires and letters of consent between each contractor and the DISCO. During the pilot program, approximately seven days were cut off the processing time for personnel clearances, with an anticipated savings of more than \$500,000 over the seven month pilot program [Ref. 14:p. 63]. An agency-wide

communications system was implemented to allow DIS to transmit investigative leads from its field elements to the Personnel Investigations Center (PIC) and electronically transfer security clearances applications and letters authorizing clearances in order to offset costly mail delays in security clearance processing [Ref. 3:pp. 1-2].

### **3. Periodic Reinvestigations**

Until the Stilwell Commission published its recommendations in 1986, the Department of Defense had devoted a relatively small percentage of its investigative resources to conducting periodic reinvestigations of cleared employees.

In 1985, the Senate Permanent Subcommittee on Investigations found that the DoD was conducting reinvestigations only on a limited quota basis due to investigative manpower restrictions and that it was unlikely that the five-year requirement for reinvestigations would be met in the foreseeable future [Ref. 12: p. 7].

By 1985, many individuals who had been cleared to the Top Secret level for 20 years or longer had never been reinvestigated [Ref. 14:p. 62]. Thomas J. O'Brien, then Director of the Defense Investigative Service, in testimony before the Senate Permanent Subcommittee on Investigations noted that

the reinvestigation is an essential part of personnel security and that in almost all instances in which



cleared personnel have been found guilty of espionage, it was subsequently determined that they were not involved with foreign intelligence at the time they were investigated and cleared. [Ref. 12:p. 6]

Also, the Senate Permanent Subcommittee on Investigations noted that the reinvestigation backlog problem was compounded by the fact that the largest population of cleared personnel -- those working with Secret clearances -- were not included in the periodic reinvestigation process. Secret, the most common of all clearance, was significant in that there was considerable sensitive information that could be accessed by personnel with Secret clearances; but the investigative process for Secret clearances entailed nothing more than a National Agency Check (NAC) [Ref. 12:p. 7]. Testifying before the House Permanent Select Committee on Intelligence, the Director, Defense Investigative Service stated:

While a NAC costs about \$10, we [U.S.] spent thousands for physical security measures in some programs [to protect] secret materials, but for the people part of it, we [U.S.] are only willing to spend \$10. All our losses have come from people. [Ref. 10:p. 5]

The Senate Permanent Subcommittee on Investigations [Ref. 12:p 19] and the Stilwell Commission [Ref. 6:p. 22] recommended regular periodic reinvestigation of personnel with Secret and Top Secret clearances and that timely reinvestigations should be considered as important and be accorded as much priority as the initial background investigation.



A report from the House Permanent Select Committee on Intelligence agreed with the Senate Permanent Subcommittee on Investigations and the Stilwell Commission recommendation for reinvestigations. Additionally, the Committee believed that the nation's long term goal should be the regular reinvestigation of all cleared employees (Top Secret, Secret, and Confidential). [Ref. 7:p. 16] The Senate Permanent Subcommittee on Investigations, the Stilwell Commission, and the House Permanent Select Committee on Intelligence recommended that the necessary resources to achieve a reduction in the backlog of periodic reinvestigation must be supported by the President and provided by the Congress [Ref. 7:p. 15]. Contrary to this view of resolving the periodic reinvestigation problem by a massive infusion of additional manpower, the DoD Industrial Security Review Committee favored focusing the priority for the selection and conduct of periodic reinvestigations on personnel who had continuous or recurring access to Top Secret information as opposed to the current system of focusing on the oldest cases for such investigative coverage [Ref. 13:p. 93].

Congress set a goal of 25 percent reduction in the backlog of periodic reinvestigations for fiscal year 1986 and authorized \$25 million of appropriations for the sole purpose of carrying out "such actions as necessary to achieve a substantial reduction" in the backlog [Ref.

16:p.3].

The DIS spent \$14.1 million of the \$25 million appropriated by Congress to reduce the backlog of periodic reinvestigations, withheld \$5.4 million to meet funding reductions mandated by the Balanced Budget Act, and returned \$0.5 million to the DoD. The remaining \$5 million was allocated and spent to purchase vehicles [Ref. 16:p. 3].

Although DIS spent less than the authorized \$25 million for reducing the backlog, it achieved a 22 percent reduction in the periodic reinvestigations backlog for fiscal year 1986, thereby almost meeting the Congressional goal of a 25 percent reduction [Ref. 16:p. 4].

At the end of fiscal year 1986, reviews by the GAO and the DoD found that the estimated backlog may have been inaccurate because the expected results from the clearance reduction program, implemented in 1985, were not considered in the initial estimate of the backlog. The number of DoD and contractor personnel requiring periodic reinvestigations declined from about 579,000 in 1984 to 356,000 in 1986 [Ref. 16:p. 4]. Because the clearance reduction program had significantly reduced the population requiring periodic reinvestigations, GAO estimated that DoD could probably reduce the backlog more quickly than initially estimated and, therefore, would require less funding in the coming fiscal years to eliminate the backlog [Ref. 16:p. 4].

By the end of fiscal year 1989, DIS had completely

eliminated the backlog of Top Secret periodic reinvestigations. Also, during fiscal year 1989, DIS initiated a program to conduct for the first time periodic reinvestigations on all personnel holding a Secret clearance who had not been the subject of an investigation for six years [Ref. 3:p. 17].

#### **4. Adjudication of Security Clearances**

The report by the Senate Permanent Subcommittee on Investigations found that one of the problems with the investigative process was a lack of a formal training program for personnel security adjudicators, the personnel who, after reviewing background investigations, decide whether or not to grant a candidate's clearance request or revoke or maintain a current employee's clearance [Ref. 12:p. 10]. The 1985 Stilwell Commission report agreed with the Senate Permanent Subcommittee on Investigations and commented that DoD requires no formal training for persons performing adjudicative functions and that the grade levels of adjudicators appear uniformly low, considering the degree of judgment and skill required [Ref. 6:p. 35].

The DoD Industrial Security Review Committee found that the guidelines as set forth in DoD Directive 5200.2R gave very broad latitude to adjudicators on case-by-case decisions and that, in fact, the guidelines could be ignored if an adjudicator decided to do so. To ensure uniformity in

the application of the criteria and to eliminate confusion for both applicants and adjudicators, the Committee recommended that the guidelines be amended and become requirements to be followed. [Ref. 13:p. 19]

GAO had advocated more consistent standards for adjudicators for several years prior to the DoD Industrial Security Review Committee recommendation. In testimony before the Senate Permanent Subcommittee on Investigations, Mr. Thurman, representing GAO, stated

the establishment of consistent standards for investigations and adjudications cannot be fully effective unless the investigators and adjudicators are properly trained. Although useful guidance on personnel investigations and adjudications is available, we {GAO} believe that personnel involved in these activities still need formal training government-wide. Such training would provide greater assurance that the investigative and adjudicative processes are performed in a professional and consistent manner that protects the interests of the government and the interests of the subjects of the investigation in a fair and equitable manner. [Ref. 12:p. 10]

In 1988, a status report on personnel and information by the House Permanent Select Committee on Intelligence found that the adjudication process was still a bottleneck in the clearance process and that the current methods used to accomplish the task were antiquated and in need of revision [Ref. 10:p. 8].

The House Permanent Select Committee on Intelligence noted that most of the personnel security investigation files were still maintained as paper dossiers and were processed through the mail or by courier systems which took

considerable time and administrative effort [Ref. 10:p. 8]. The Committee believed that automated data processing technology and centralized clearance data bases were desperately needed to provide early identification of cases which did not require prolonged adjudication review so that they could pass rapidly through the system. The Committee felt that this could streamline the processing of "clean" cases while providing more time for analysis of problem cases and more effective use of limited resources. [Ref. 10:p. 9]

The House Permanent Select Committee on Intelligence did note that DoD had implemented a program of formal training for its adjudicators and that consolidation of adjudication facilities among the military services had proceeded with limited success, with the Navy still not fully in line in consolidating its adjudication process [Ref. 10:p. 9].

## **5. Financial Motives for Espionage**

In 1987, a report by the House Permanent Select Committee on Intelligence found that most of the Americans who were caught spying between 1984 and 1986 had no ideological commitment to another foreign country. They sold U.S. secrets for financial reasons. [Ref. 9:p. 6] The Committee stated:

it is sad fact that the preponderance of recent espionage cases have hinged on the greed of



Americans willing to betray their country's secrets [Ref. 9:p. 6].

Of the 59 cases of espionage compiled by the Department of Defense Security Institute for the last 15 years, 41 involved the successful or attempted exchange of money. Thirty-one of the 41 cases involved cleared U.S. citizens selling documents for money, and the other ten cases involved foreign agents paying U.S. undercover agents for documents. [Ref. 18]

The House Permanent Select Committee on Intelligence noted that, in the espionage cases of Pelton and John Walker, information was available while these individuals were still employed by the U.S. Government that could have exposed serious personal financial difficulties and that, in the future, financial information deserves a more important focus in background investigations and reinvestigations [Ref. 9:p. 16].

The Oversight and Evaluation Subcommittee of the House Permanent Select Committee on Intelligence wrote that increased efforts were required especially in the area of assessing financial vulnerability among personnel holding security clearances and that the executive branch needs to be more skillful in utilizing the automated data bases at its disposal that go beyond mere credit reports, such as casino transactions, currency transactions, and foreign bank and financial accounts [Ref. 10:p. 4].



A 1988 study by K. J. Euske and D. P. Ward, designed to determine if existing financial reporting sources could be used to evaluate the financial health and behavior of individuals in critical management positions, concluded that the traditional sources of financial reporting (e.g. credit reports) do not necessarily identify legitimate or illegitimate sources of income [Ref. 17].

In assessing the value of credit reports to the investigative process, Euske and Ward found that credit reports would be complete only if the subject of the investigation had provided all former addresses and aliases or the credit history identified the addresses and aliases. Also, Euske and Ward found that major drawbacks in using credit reports to screen candidates and current employees financially for positions of trust include the facts that (1) credit reports are complex and time-consuming to analyze, (2) there is no standardized reporting format for the various credit services, and (3) relevant data may be missing. [Ref. 17:P. 4-5]

In Euske and Ward's assessment of banks and other financial institutions, they found that existing laws such as the Right to Privacy Act restricted access to the records of banks and other financial institutions and limit their usefulness in financial screening for background investigations [Ref. 17:p. 17]. The report concluded that, at the present time, credit analysis aided by computer

technology shows the most promise for improving background screening through the use of publicly available financial data and that the use of automated systems to analyze financial health could help officials screen applicants for positions of trust [Ref. 17:p. 17-18].

To improve the usefulness of financial information in the investigative process, the Proposed Counterintelligence Act of 1990 would have required all personnel who receive Top Secret clearances to permit the government access to their financial records anytime during the period the clearance is held and for five years thereafter [Ref. 19:pp. 2,10].

## **6. Managerial Involvement**

The Senate Permanent Subcommittee on Investigations noted that in many cases employers were not held accountable for security breaches. In a review of several espionage cases, the Subcommittee found that information was developed indicating that the compromises occurred at times when the firms that employed the violators could have enforced stricter adherence to security procedures [Ref. 12:p.12]

The Stilwell Commission noted that, in every case of recent espionage, that there had been evidence of conduct known to the commander or supervisor which, if recognized and reported, may have had a bearing on the continued access of the individual [Ref. 6:p. 44].

The Senate Permanent Subcommittee found that in the Harper-Schuler espionage case, Schuler maintained a Secret clearance despite the fact that she was known to be drinking heavily and spending money beyond her means. Similarly, Christopher Boyce, a highly cleared communications clerk in a CIA-sponsored secret project at TRW was able to smuggle sensitive documents out of the facility in part because of inadequate or unenforced security procedures. Boyce reported that drinking and other irresponsible behavior were commonplace in sections of the plant which had been cordoned off because of the sensitivity of the data being processed there. William Bell, a radar specialist at Hughes Aircraft, sold sensitive information about classified weapon systems, including the radar system utilized on the B-1 and Stealth bombers, to Polish spies. Bell testified that, while employed at Hughes, he had "all the signals, all the classical reasons" for being a spy, including financial difficulties followed by sudden affluence, job dissatisfaction, and close friendship with a Polish national. None of these potential indicators were reported by Bell's employer to the Defense Investigative Service.

[Ref. 12:p. 12]

The Senate Permanent Subcommittee on Investigations noted that in each of the above espionage cases, the employing firms were not held accountable for the conduct of their employees, no fines were levied and business with the

federal government went on as before, as if the contractors were not responsible in any way for the conduct of their employees [Ref. 12:p. 13].

The House Permanent Select Committee on Intelligence found that, in many agencies, security personnel were viewed as "cops" who carry out a sanctions-oriented process. The investigation of a security related incident was viewed by employees as a career damaging event that would follow one throughout his or her career [Ref. 10:p. 11]. The Committee said that

among the cleared population, especially among that group cleared for the most sensitive information, we should encourage management and command sensitivity to their people, both on and off the job. There should be an opportunity to share problems at early stages with a supervisor or counselor who might be able to help, before the problem become desperate, unsharable, and a motive for illegal behavior like espionage develops [Ref. 10.:p. 11].

The Stilwell Commission recommended the implementation of reliability programs requiring supervisors to perform initial and recurring evaluations to certify that subordinates are qualified for anticipated duties [Ref. 6:p. 44]. The DoD Industrial Security Review Committee agreed with the Stilwell Commission recommendation and commented that alertness to espionage indicators is crucial to a sound security program and that first line supervisors, with proper security indoctrination working closely with corporate security personnel in partnership with the Defense Investigative Service, are considered the most effective

means of ensuring the strength and integrity of the security program on a day-to-day basis. The DoD Industrial Security Review committee felt that neither periodic security inspections nor the personnel security investigation program can adequately fill this role. [Ref. 13:p. 4]

### III. METHODOLOGY

#### A. DETERMINATION OF SAMPLE SIZE

The purpose of the analysis was to determine the effects that thresholds of delinquent debt have on final clearance decisions. The analysis required a population of completed cases containing adverse financial information. The adverse financial background information had to meet the Defense Investigative Service's (DIS) delinquent debt criteria (\$500 or more of debt outstanding for at least 120 days). In addition, the clearances for these cases had to be either approved or denied as opposed to pending.

Fortunately, the Defense Personnel Security Education and Research Center (PERSEREC) established a data base of unsuitability cases with the cooperation of the Personnel Investigations Center (PIC). This data base contains cases from 1987 through 1989 and permitted cases to be analyzed by unsuitability categories.<sup>3</sup> Because this analysis' focus is on cases meeting DIS's delinquent debt criteria for investigation expansion, only financial issue cases were examined in this study. Cases with more than one issue were excluded to avoid confusion regarding which issue(s) played

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<sup>3</sup>For a more complete description of PERSEREC's issue case data base see Ref. 11:p. 5.



the greatest role in clearance decisions. Lists of potential cases that fell into the following nine categories were retrieved from the data base:

1. Military-Background Investigations (BI)
2. Military-Special Background Investigations (SBI)
3. Military-Periodic Reinvestigations (PR)
4. Industrial-Background Investigations (BI)
5. Industrial-Special Background Investigations
6. Industrial-Periodic Reinvestigations (PR)
7. Civilian-Background Investigations (BI)
8. Civilian-Special Background Investigations (SBI)
9. Civilian-Periodic Reinvestigations (PR)

These cases were consecutively numbered within each group. 45 cases were randomly selected from each list, yielding a combined sample size of 405 from a population of 1110, or 36 percent of the population. The sample cases were selected by using a computerized random number generator. After the numbers were drawn, a list of the cases selected for the sample was then typed and sorted by case control number.

## **B. COLLECTION OF DATA**

Hard copies of investigation files were needed to compute the total amount of delinquent debt outstanding in each case and to provide the other data needed for the analysis. Other data collected for the analysis on each applicant included (1) reason for the investigation, (2) sex

and race, (3) bankruptcies, garnishments, liens, judgments, and (4) delinquent debt history. The data collection form used to record the financial information was developed. A copy of that form is presented in Appendix A. The required personnel security investigation documents and credit reports are maintained on microfiche at the Personnel Investigations Center (PIC). After discussing the matter with personnel at PIC, it was determined that the most efficient way to obtain the data would be for the author to travel to PIC and collect the data while at that location. The list of the investigative cases selected for the sample was forwarded to PIC. Prior to the author's arrival, PIC had set up a work station with a microfiche reader and had retrieved the required cases. Five days were spent at PIC reviewing the cases and collecting the required data. Because there was no way to determine in advance how many cases could be reviewed and the required data recorded in five days and, in order to ensure that sample sizes across groups would be equal, data were collected for the first case randomly selected in each group, then the second case and so on. At the end of the five days, 261 cases had been reviewed, with 219 meeting the delinquent debt threshold criteria of \$500 or more outstanding for 120 days. This sample was approximately 20 percent of the financial cases population of 1110.

### C. CODING DATA FOR COMPUTER INPUT

A code book was developed to format the collected data for computer input. A copy of the code book is presented in Appendix B. Using that format, the data from each data collection form were entered onto a computer input sheet. After coding the data, the information on the input sheet was then entered into the computer. The form used to collect the data at PIC contained all of the necessary information, with the exception of final clearance determinations. In order to determine if delinquent debt had an impact on the subjects' final clearance decisions, the status of each applicant's security clearance was needed. The Defense Central Index of Investigations (DCII) is a data base that contains final clearance determinations. This file was available at the Defense Manpower Data Center (DMDC) and was used to determine which clearances in the sample had been denied, were pending or had been granted.

Clearance determination codes contained in the DCII were recoded into three categories: (1) denials, coded in the DCII with "B", "D", "F", "R", "Y", "Z", "3" or "4"; (2) pending, coded with "X"; and (3) granted, coded with "Q", "S", "T", or "V". A list of the clearance access codes and their meaning is presented in Appendix C. For some of the analyses, delinquent debt was recoded into three categories: (1) debt under \$1000, (2) debt between \$1000-\$2000, and (3) debt over \$2000.

It should be noted that at the start of the analysis the latest update to the Defense Manpower Data Center's DCII file was as of the end of 1990. The initial clearance determination data were collected in February 1991. To determine if any of the pending cases had been adjudicated from January to May 1991, the DCII file was reviewed once more in May 1991. In addition, the Navy's Central Adjudication Facility (DON CAF) data base was also checked for Naval personnel in the pending category. Further review of the pending cases seems to suggest that some of the pending cases are no longer in the system because of employment terminations or retirements. Another possibility for lack of security data may be that in some cases the final clearance decisions were never recorded in the central data base.

#### **IV. DATA ANALYSIS**

##### **A. FREQUENCY INFORMATION FOR THE SAMPLE**

The sample contained 74 background investigations (BI), 75 special background investigations (SBI), and 70 periodic reinvestigations (PR). All 219 requests were for Top Secret or higher level access. In addition to Top Secret access, the 219 requests included five for assignment to Critical Nuclear Weapon Positions, 66 for access to Sensitive Compartmented Information (SCI), two for assignment to Critical Sensitive Positions, and two for access to Single Integrated Operational Plan (SIOP). There were 31 requests from the Navy, 20 from the Army, 25 from the Air Force, 72 from civil service, and 71 from industry. The sample contained 154 males and 65 females. There were 156 whites, 54 blacks, two Asians, and seven Hispanics.

##### **B. DELINQUENT DEBT THRESHOLD ANALYSIS**

As previously noted, all personnel security requests required personnel background investigations for Top Secret access or higher. Personnel granted only Secret clearances (as opposed to the requested Top Secret or SCI access) presented a dilemma. Should they be classified as though their clearances were granted or as if their clearances had been denied? In reality, there are many reasons why

individuals may be authorized clearances at lower levels than originally requested. For example, personnel may have been reassigned to positions not requiring Top Secret access. Another reason is that some personnel are assigned to special programs that require more intensive investigations (BI/SBI) regardless of the assigned clearance levels. Therefore, the analysis treated those personnel who were granted Secret clearances as approvals. The sample had 32 pending cases which accounted for 14.6 percent of the sample. Because the focus of the analysis was on the impact of the delinquent debt threshold used for expanding investigations on final clearance decisions (denials and approvals), the pending cases were not used in the analysis. Only the 187 investigative cases in which clearances had actually been denied or approved were used in computing the denial and approval percentages.

In addition to analyzing the data for the entire sample, separate analyses were performed for each category of requesting agency (e.g. military, industrial, and civilian). By separating the cases by type of agency, it could be determined whether the findings were consistent across the different types of adjudication facilities.

#### **1. Sample Analysis**

Figure 2 depicts a breakdown of clearance denials and approvals for the entire sample. Cases in the sample



with delinquent debt under \$1000 had a denial rate of 2 percent (1 of 50). Cases with delinquent debt from \$1000 to \$2000 had a denial rate of 5.5 percent (3 of 54). When delinquent debt was over \$2000, the denial rate was 8.4 percent (7 of 83). The overall clearance denial rate in the sample was 6 percent (11 of 187). The 6 percent denial rate for the sample is considerably higher than the 1 percent denial rate published in past studies conducted on the personnel security program [Ref. 10:p. 4]. This higher rate

## Sample SBI/BI Based DoD Clearances

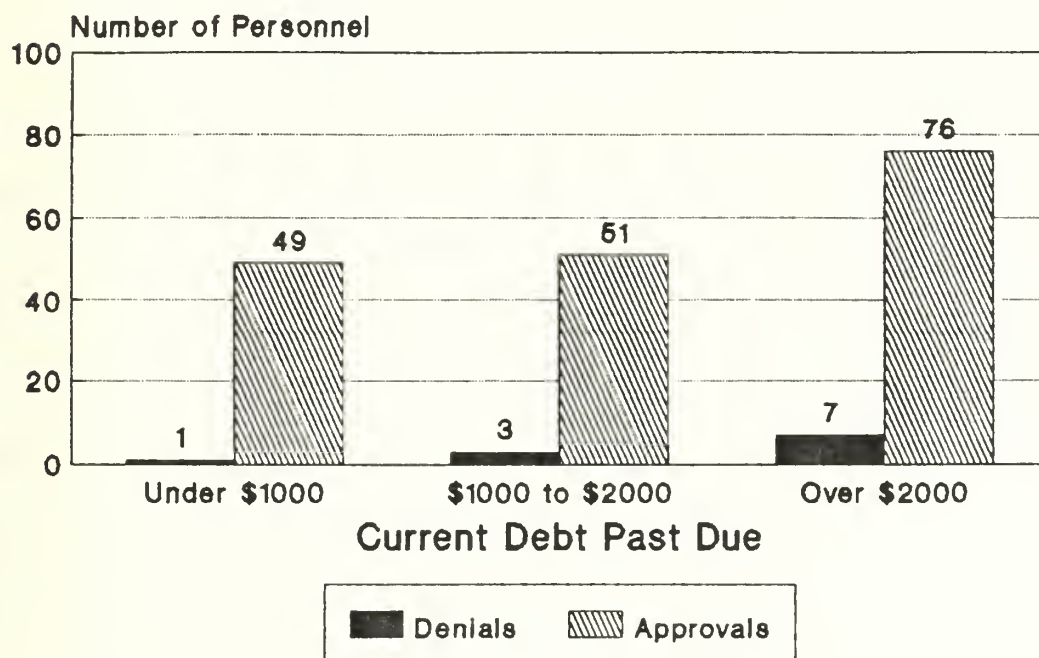


Figure 2. Sample SBI/BI Based DoD Clearances

can be attributed to the fact that all of the sample cases selected for this analysis were known to have derogatory financial information exceeding the Defense Investigative Service's delinquent debt threshold (\$500 or more outstanding for 120 days) and are not representative of a normal population of clearance requests. The sample clearance approval rate was 94 percent (176 of 187). The approval category had delinquent debt ranges from \$560 to over \$23,000.

The sample shows that, as the amount of delinquent debt increases, the denial rate also increases. This may indicate that the higher the delinquent debt, the higher the probability of clearance denial.

## **2. Military Investigative Cases**

Figure 3 depicts the clearance approvals and denials for the military cases in the sample. Military cases with delinquent debt under \$1000 had a denial rate of 4.5 percent (1 of 22); cases with delinquent debt from \$1000 to \$2000 had a denial rate of 6 percent (1 of 16) and for cases with delinquent debt over \$2000, the denial rate was 20.8 percent (5 of 24). The overall military clearance denial rate was 11 percent (7 of 62). The military clearance approval rate was 89 percent. Military cases account for 64 percent (7 of 11) of all denials in the sample.

## SBI/BI Based Military Clearances

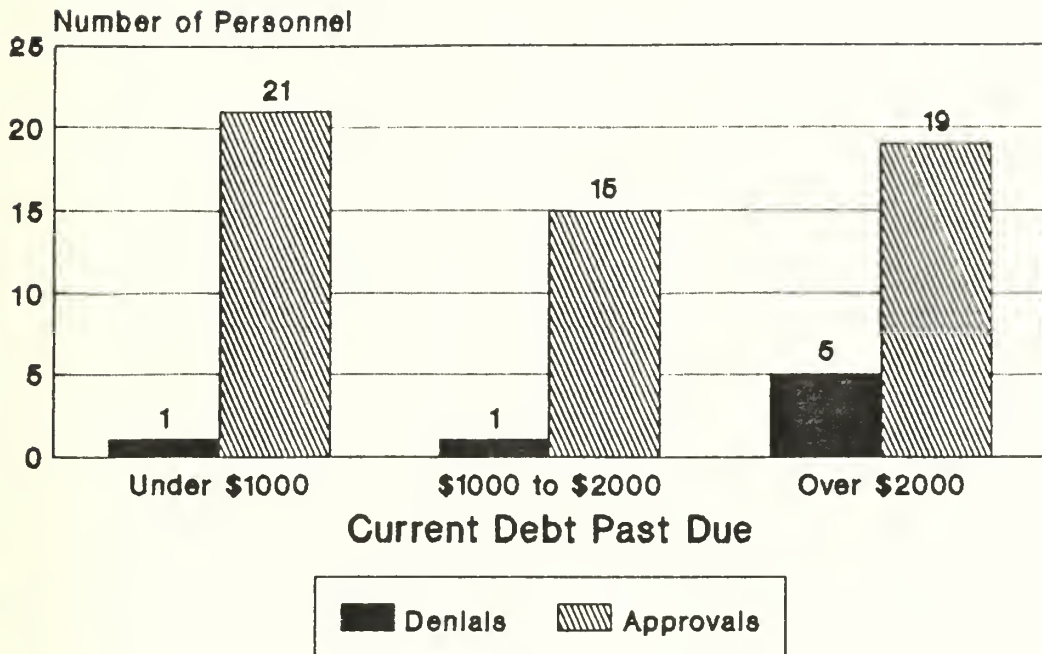


Figure 3. SBI/BI Based Military Clearances

As in the analysis for the entire sample, the military denial rate increases as the amount of delinquent debt increases. For military cases with delinquent debt over \$2000, there was a significant increase (from 1 to 5) in the number of denials when compared to denials at the lower delinquent debt levels.

The military component had the only denial in the sample with delinquent debt under \$1000. The data collection

form for this denial was reviewed to determine if there was any special reason other than delinquent debt for the denial. The review found that the request was for access to Sensitive Compartmented Information (SCI) with an delinquent debt amount of \$782. In addition to current delinquent debt, the applicant had a past history of delinquent debt. It is important to note that the applicant's complete investigative file was not available for review. Factors in the investigative file other than current delinquent debt and a past history of delinquent debt may have had an impact on the applicant's final clearance outcome. A further review of military SCI requests revealed that all military denials in the sample with delinquent debt under \$5200 were requests for SCI access. This accounted for 67 percent of total military denials. To determine if there was any basis to support a premise that the military services deny SCI requests at lower delinquent debt levels than other requests, the remaining 25 approved SCI clearances were compared to the six denied SCI clearances. Figure 4 is a graphical presentation of military SCI approvals and denials. It shows that the majority of the military SCI requests had delinquent debt under \$2000. However, just as there were clearance denials for delinquent debt levels under \$1000 to over \$5000, there were also approvals at these same delinquent debt levels. The approved clearances

# Military

## SBI Requests for SCI Access

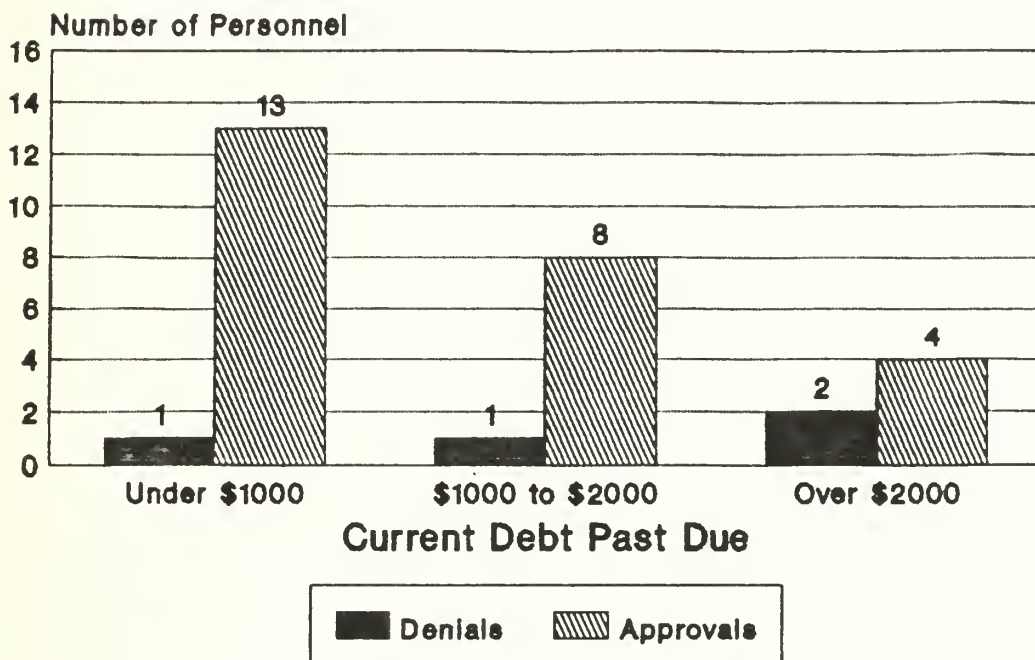


Figure 4. Military SBI Requests for SCI Access

had delinquent debts ranging from \$685 to \$7423. These data do not appear to support a premise that military personnel are denied SCI clearances at lower debt levels.

### 3. Industrial Investigative Cases

Figure 5 shows the denials and approvals for the industrial cases in the sample. Note that there were no denials for delinquent debt under \$1000. Industrial cases



with delinquent debt between \$1000 to \$2000 had a denial rate of 4.5 percent and for cases with delinquent debt over \$2000, the denial rate was 6 percent. The overall industrial clearance denial rate was 4 percent (3 of 70). The clearance approval rate for industrial cases was 96 percent. As in the military cases, industrial cases show an upward trend in the denial rate as the amount of delinquent debt increases.

## SBI/BI Based Industrial Clearances

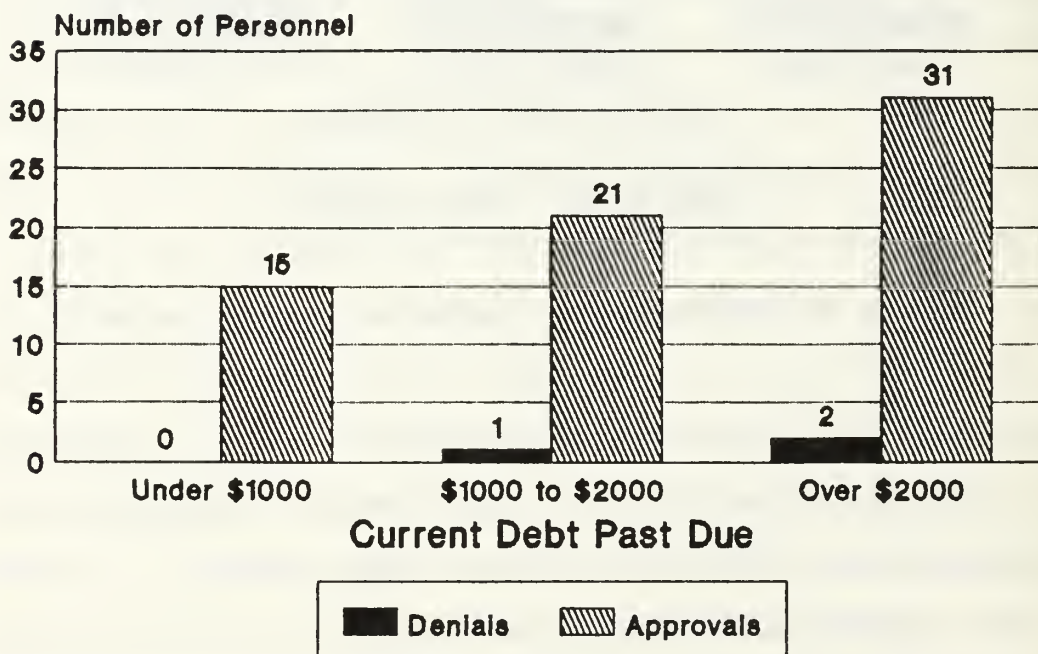


Figure 5. SBI/BI Based Industrial Clearances



#### 4. Civilian Investigative Cases

Figure 6 displays the breakdown for civilian cases. As in the industrial cases, there were no denials for delinquent debt under \$1000. The only denial for the civilian component was at the \$1000 to \$2000 delinquent debt level. The denial rate at this delinquent debt level was 6 percent. The overall civilian denial rate was 1.8 percent (1 of 55). The civilian clearance approval rate was 98.2 percent. Civilian cases accounted for less than .5 percent of the total 6 percent denial rate for the sample. The

### SBI/BI Based Civilian Clearances

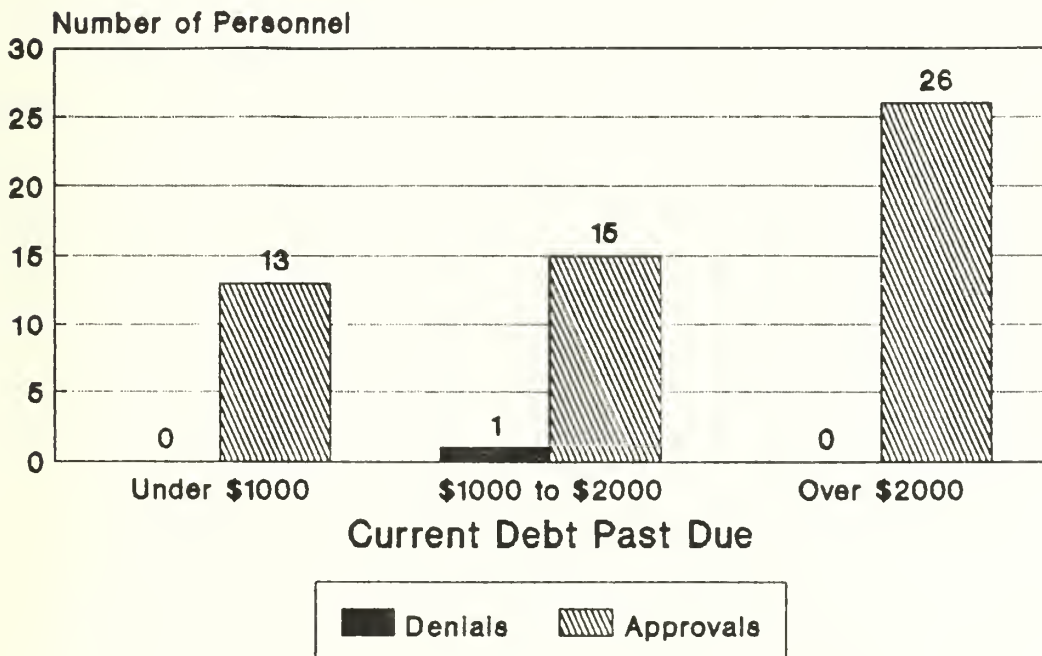


Figure 6. SBI/BI Based Civilian Clearances

civilian component differs from the military and industrial components in that it does not have an increasing trend in the denial rate as the amount of delinquent debt increases. There is an increase in the denial rate from the under \$1000 delinquent debt level to the \$1000 to \$2000 delinquent debt level but a decrease from the \$1000 to \$2000 delinquent debt level to the over \$2000 delinquent debt level.

#### **5. Detailed Breakdown of Approvals and Denials**

Tables 1 through 4 below provide a more detailed breakdown of the clearance approvals and denials using delinquent debt in \$500 increments instead of the three categories of delinquent debt used in figures 2 through 6. As in figures 2 through 6, the information is presented first for the entire sample and then separately for each category of requesting agency (e.g. military, industrial, and civilian). In none of these tables is there any pattern suggesting that higher levels of delinquent debt lead to a greater incidence of denial of clearance. Moreover, the very small numbers of cases in the higher-debt categories would make any generalizations of questionable validity anyway.

TABLE 1  
SAMPLE SBI/BI BASED DOD CLEARANCES  
APPROVALS AND DENIALS

	#APPROVALS	#DENIALS	%APPROVED	%DENIED
\$.5-1K	49	1	98	2
\$1-1.5K	30	2	94	6
\$1.5-2K	21	1	95.5	4.5
\$2-2.5K	12	0	100	0
\$2.5-3K	11	0	100	0
\$3-3.5K	9	1	89	11
\$3.5-4K	8	0	100	0
\$4-4.5K	3	0	100	0
\$4.5-5K	1	1	50	50
\$5-5.5K	2	1	67	33
\$5.5-6K	4	1	80	20
\$6-6.5K	2	0	100	0
\$6.5-7K	4	1	80	20
\$7-7.5K	3	0	100	0
\$7.5-8K	4	0	100	0
\$8-8.5K	1	0	100	0
\$8.5-9K	3	0	100	0
\$9-9.5K	1	0	100	0
\$9.5-10K	1	0	100	0
\$10-10.5K	0	0	0	0
\$10.5-11K	2	0	100	0
\$11-11.5K	0	1	0	100
\$11.5-12K	2	0	100	0
\$12K-12.5K	0	0	0	0
\$12.5-13K+	3	1	75	25
	---	---	---	---
TOTALS	176	11	94	6
	===	===	===	===

**TABLE 2**  
**SBI/BI BASED MILITARY CLEARANCES**  
**APPROVALS AND DENIALS**

	#APPROVALS	#DENIALS	%APPROVED	%DENIED
\$ .5-1K	21	1	95.5	4.5
\$1-1.5K	8	1	89	11
\$1.5-2K	7	0	100	0
\$2-2.5K	1	0	100	0
\$2.5-3K	4	0	100	0
\$3-3.5K	4	1	80	20
\$3.5-4K	2	0	100	0
\$4-4.5K	1	0	100	0
\$4.5-5K	0	0	0	0
\$5-5.5K	0	1	0	100
\$5.5-6K	1	1	50	50
\$6-6.5K	0	0	0	0
\$6.5-7K	0	1	0	100
\$7-7.5K	2	0	100	0
\$7.5-8K	1	0	100	0
\$8-8.5K	1	0	100	0
\$8.5-9K	0	0	0	0
\$9-9.5K	1	0	100	0
\$9.5-10K	0	0	0	0
\$10-10.5K	0	0	0	0
\$10.5-11K	0	0	0	0
\$11-11.5K+	1	1	50	50
	---	---	---	---
TOTALS	55	7	89	11
	===	===	===	===

**TABLE 3**  
**SBI/BI BASED INDUSTRIAL CLEARANCES**  
**APPROVALS AND DENIALS**

	#APPROVALS	#DENIALS	%APPROVED	%DENIED
\$.5-1K	15	0	100	0
\$1-1.5K	14	1	93	7
\$1.5-2K	7	0	100	0
\$2-2.5K	5	0	100	0
\$2.5-3K	4	0	100	0
\$3-3.5K	1	0	100	0
\$3.5-4K	2	0	100	0
\$4-4.5K	1	0	100	0
\$4.5-5K	0	1	0	100
\$5-5.5K	3	0	100	0
\$5.5-6K	2	0	100	0
\$6-6.5K	2	0	100	0
\$6.5-7K	3	0	100	0
\$7-7.5K	1	0	100	0
\$7.5-8K	1	0	100	0
\$8-8.5K	0	0	0	0
\$8.5-9K	1	0	100	0
\$9-9.5K	0	0	0	0
\$9.5-10K	1	0	100	0
\$10-10.5K	0	0	0	0
\$10.5-11K	1	0	100	0
\$11-11.5K+	3	1	75	25
	---	---	---	---
TOTALS	67	3	96	4
	===	===	===	===

**TABLE 4**  
**SBI/BI BASED CIVILIAN CLEARANCES**  
**APPROVALS AND DENIALS**

	#APPROVALS	#DENIALS	%APPROVED	%DENIED
\$.5-1K	13	0	100	0
\$1-1.5K	8	0	100	0
\$1.5-2K	7	1	86	14
\$2-2.5K	6	0	100	0
\$2.5-3K	3	0	100	0
\$3-3.5K	4	0	100	0
\$3.5-4K	4	0	100	0
\$4-4.5K	1	0	100	0
\$4.5-5K	0	0	0	0
\$5-5.5K	1	0	100	0
\$5.5-6K	1	0	100	0
\$6-6.5K	0	0	0	0
\$6.5-7K	1	0	100	0
\$7-7.5K	0	0	0	0
\$7.5-8K	2	0	100	0
\$8-8.5K	0	0	0	0
\$8.5-9K	1	0	100	0
\$9-9.5K	0	0	0	0
\$9.5-10K	0	0	0	0
\$10-10.5K	0	0	0	0
\$10.5-11K	1	0	100	0
\$11-11.5K+	1	0	100	0
	---	---	---	---
TOTALS	54	1	98	2
	===	===	===	===



## V. CONCLUSIONS AND RECOMMENDATIONS

### A. CONCLUSIONS

#### 1. Overview

The purpose of this analysis was to determine the impact of the delinquent debt threshold currently used by the Defense Investigative Service (DIS) to expand investigations on final clearance decisions. If the analysis determined that the delinquent debt threshold currently used was too low and had no impact on final clearance determinations, DIS could reduce the number of expanded investigations and thus save resources that could be used for other programs.

To conduct the analysis, a sample of derogatory financial cases meeting the DIS's delinquent debt threshold criteria was selected. The total amount of delinquent debt for each case was recorded and coded for computer input. The sample data file was then merged with Defense Central Investigations Index (DCII) file to determine the final clearance decision for each case. This provided a breakdown by clearances approved, denied and pending at the various delinquent debt levels. Because the focus of the analysis was on final clearance outcomes, pending investigative cases were excluded from the analysis.

## 2. Delinquent Debt Threshold

The analysis shows that the clearance denial rate for investigative cases with delinquent debt under \$1000 is low (2 percent). There was only one denial (military) in 50 cases at this delinquent debt level. This delinquent debt category accounted for less than .5 percent of the total 6 percent clearance denial rate for the sample. If both the increase in consumer prices from 1983 until now and the fact that there were no denials in the industrial or civilian components are considered, a strong argument could be made for raising the delinquent debt threshold for investigation expansion from \$500 to \$1000 for the industrial and civilian components. The next question is what to do with the military component. Should the \$500 delinquent criteria for investigation expansion be retained for the military? Is one denial out of 22 cases with delinquent debt under \$1000 sufficient to keep the \$500 delinquent debt level for the military? Or, if evaluated from the point of view of the entire sample, is 1 denial out of 50 cases sufficient to keep the delinquent debt threshold at \$500? If DoD wants to maintain uniformity in its investigative standards, can the threshold be raised to \$1000 for all components with no significant impact on final clearance determinations?

These are difficult questions with no clear cut answers. If the delinquent debt threshold is raised to

\$1000, over 26 percent of the cases in the sample could have been eliminated from investigation expansion. However, 2 percent out of the 26 percent were cases in which the clearance was denied as a result of the expansion having been performed. By way of analogy, during fiscal year 1989, DIS issued 69,331 interim clearances, of which only .06 percent were later withdrawn [Ref. 3:p. 15]. Thus, the policy of interim clearances does not appear to be unduly risky. The percentage of denials in the sample with delinquent debt under \$1000 was less than .5 percent. Thus, raising the delinquent debt threshold may also appear not to be unduly risky and may be an acceptable trade-off to some. To others, however, failing to expand the investigation of one case that may eventually become a denial may be considered a serious breakdown in the clearance process. There must be a cost effective trade-off between resources required to conduct expanded investigations and the effects of the additional information obtained through expansions on final clearance decisions.

In the sample, as the amount of delinquent debt increased, the number of denials also increased. A comparison of the over \$2,000 delinquent debt category with the two lower categories reveals that the military had a significant increase in denials; industrial personnel, a minimal increase; and DoD civilian employees, a decrease. Because clearance denials and approvals occur in each of the

three delinquent debt categories, it is difficult to determine the optimal delinquent debt level for investigation expansion. However, the analysis supports raising the delinquent debt threshold used to expand investigations from \$500 to \$1000.

Additionally, the low number of denials at all delinquent debt levels seem to suggest that delinquent debt, regardless of the amount, has very little impact on final clearance decisions. This is consistent with the findings of other studies in that the denial rate for security clearances is very low and that the majority of denials are in cases in which applicants have serious unsuitability problems (e.g. criminal records, recent drug abuse, alcoholism, or psychiatric problems) [Ref. 10:p. 4]. Because of the low number of denials in each of the delinquent debt categories, there appear to be other variables, such as the reason for the delinquent debt (i.e. lay-off, sickness, being fired, extravagant spending, lawsuits, failure to pay taxes) or whether or not the applicant is attempting to resolve his or her financial problems that are more crucial in the final clearance decision. For instance, if applicants live in a depressed area, lose their jobs, are unable to make their mortgage payments, but promise to pay and do so as soon as they are reemployed, most likely they will be granted a security clearance. On the other hand, people having numerous past

due credit card charges for non-essentials and who make no attempt to pay their bills or reform their spending habits will probably be considered irresponsible and unreliable and will likely be denied a clearance.

## **B. RECOMMENDATIONS**

There are certain limitations in this analysis of which the reader should be aware. First, the sample used in the analysis was relatively small when compared to the total number of investigations performed each year by the Defense Investigative Service (over 200,000 per year for fiscal years 1987 through 1989). Although the sample represented approximately 17 percent of the cases with adverse financial background information in the Defense Personnel Security Research and Education Center's (PERSEREC) data base for 1987 through 1989, caution must be used when extrapolating these findings to the larger population (especially within sub-population categories). Second, the analysis focuses only on the impact of delinquent debt on final clearance outcomes and does not address other factors such as unsuitable personal behavior (e.g. alcoholism, criminal activity, psychiatric problems, etc.). These factors may interact significantly with adverse financial information with respect to final clearance decisions. Third, the analysis is based on adjudication decisions (clearance approvals and denials) as opposed to the subsequent behavior



of applicants (e.g. security infractions, involvement in disloyal or criminal acts, etc.). Although it is likely that the adjudication outcome closely reflects security risk and it makes little sense to expand cases in which clearances will be granted anyway, this analytical approach could be criticized as letting the "tail wag the dog".

The analysis supports raising the Defense Investigative Service's delinquent debt threshold from \$500 to \$1000. If the delinquent debt threshold was raised to keep pace with consumer prices, it would now be almost double the current threshold amount, anyway (\$950 instead of \$500). But before a final decision is made whether or not to raise the delinquent debt threshold, the Defense Investigative Service should first get input from the adjudicators because they are the ones who have to consider all relevant factors prior to making their final clearance recommendations.

The major purpose of DIS is to identify and select the personnel that the nation will trust with its most sensitive information. This may be asking DIS to do too much. As former DIS Director T. J. O'Brien stated in testimony before the Senate Permanent Subcommittee On Investigations,

We [DIS] feel it is unfortunate that so much emphasis has been placed on the role of investigations in the security clearance process, when in fact it is only a part, and probably not the most important part of the personnel security clearance process [Ref. 20:p. 8].

More emphasis on the judgments of those who know the applicants best may be needed. Local managers and



supervisors have daily contact with their employees and, therefore, are in a better position to select the most trustworthy employees for sensitive positions. Initial screening at this level is believed to be a critical step in the investigative process. The Stilwell Commission recommended the implementation of reliability programs requiring supervisors to perform initial and recurring evaluations to certify that subordinates are fit for anticipated duties [Ref. 6:p. 44].

With billions for weapon systems procurement and the nation's technological edge at stake, defense contractors as well as DoD components should be more inclined to place greater emphasis on personnel security. Suggested improvements to the security process in the agencies and contractors employing personnel to be cleared are as follows: (1) a more intensive program of screening personnel being hired or considered for sensitive positions, (2) yearly credit checks on employees assigned to sensitive projects, (3) increased managerial training in recognizing changes in personnel behavior that may lead to espionage, and (4) continued evaluation of security awareness training programs.

The House Select Committee on Intelligence emphasized the importance of "encouraging security awareness by fellow employees, who can report patterns of work activity potentially associated with espionage" [Ref. 10:p. 11].

### C. AREA FOR FURTHER RESEARCH

One area that may provide some useful information is an in-depth study comparing the investigative case files of personnel in the sample who were denied clearances and those who were granted clearances at the same level of debt. This type of analysis could determine the underlying reasons for the denials. If the analysis concludes that there are no significant differences between the case files for clearance denials and approvals, it may be interesting to look at what organizations issued the denials, what organizations issued the approvals, and which were more in line with the adjudication standards in their final decisions.

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**APPENDIX A**

**DATA COLLECTION FORM**

NAME: \_\_\_\_\_  
LAST, FIRST, MI  
SSN: \_\_\_\_\_  
DIS CASE #: \_\_\_\_\_

**A. CATEGORY OF INVESTIGATION.**

1. BI
2. SBI
3. PR

**B. REASON FOR THE INVESTIGATION.**

1. ACCESS TO TOP SECRET INFO yes / no
2. Critical Nuclear Weapon Position yes / no
3. Limited access authorization yes / no
4. SCI yes / no
5. Critical Sensitive Position yes / no
6. ADP-1 yes / no
7. CRYPTO/COMSEC yes / no
8. SIOP/ESI yes/no

**C. AGENCY REQUESTING INVESTIGATION.**

1. Navy/Marine
2. Army
3. Air Force
4. Civil Service
5. Industrial

**D. SEX**

1. Male
2. Female

**E. RACE**

1. White
2. Black
3. Asian/Pacif Isl
4. Hispanic
5. American Ind/Alaskan
6. Other/unknown

**F. AGE \_\_\_\_\_**

**G. HISTORY OF BANKRUPTCY?**

1. YES



- a. Sources
  - (1) PSQ yes / no
  - (2) DIS Interview yes / no
  - (3) Credit Report yes / no

2. NO

**H. HISTORY OF WAGE GARNISHMENT?**

3. YES

- a. Sources
  - (1) PSQ yes / no
  - (2) DIS Interview yes / no
  - (3) Credit report yes / no

4. NO

**I. HISTORY OF LIENS?**

5. YES

- a. Sources
  - (1) PSQ yes / no
  - (2) DIS Interview yes / no
  - (3) Credit Report yes / no
  - (4) Other yes / no List: \_\_\_\_\_

6. NO

**J. HISTORY OF JUDGMENTS?**

7. YES

- a. Sources
  - (1) PSQ yes / no
  - (2) DIS Interview yes / no
  - (3) Credit Report yes / no
  - (4) Other yes / no List: \_\_\_\_\_

8. NO

**K. HISTORY OF DELINQUENT DEBT?**

9. YES

- a. Sources
  - (1) PSQ yes / no
  - (2) DIS Interview yes / no
  - (3) Credit Report yes / no
  - (4) Other yes / no List: \_\_\_\_\_
- b. Number of days past due
  - (1) 120 days
    - (a) # of accounts \_\_\_\_\_
    - (b) Total # of incidents \_\_\_\_\_
  - (2) 90 days
    - (c) # of accounts \_\_\_\_\_
    - (d) Total # of incidents \_\_\_\_\_
  - (3) 60 days
    - (e) # of accounts \_\_\_\_\_
    - (f) Total # of incidents \_\_\_\_\_
  - (4) 30 days

(g) # of accounts\_\_\_\_\_  
(h) Total # of incidents\_\_\_\_\_

10. NO

**L. DELINQUENT DEBT AT TIME OF INVESTIGATION.**

1. 120 DAYS PAST DUE
  - a. # of accounts\_\_\_\_\_
  - b. Total \$ amount\_\_\_\_\_
2. 90 DAYS PAST DUE
  - a. # of accounts\_\_\_\_\_
  - b. Total \$ amount\_\_\_\_\_
3. 60 DAYS PAST DUE
  - a. # of accounts\_\_\_\_\_
  - b. Total \$ amount\_\_\_\_\_
4. 30 DAYS PAST DUE
  - a. # of accounts\_\_\_\_\_
  - b. Total \$ amount\_\_\_\_\_

**N. EXPANDED INVESTIGATION CONDUCTED?**

1. YES
2. NO

**O. STATUS OF CLEARANCE.**

1. DENIED
2. PENDING
3. GRANTED

## APPENDIX B

### CODE BOOK

NAME LINE SPACE	ITEM
NAME line 1 1-15	Last Name
SSN line 1 17-25	Social Security Number  9 digits, no spacing
CASNR line 1 27-44	DIS Case Control Number  dash (-) after 5th, 8th, and 12th digit
CAT line 1 46	Category of the Investigation  1 - Background Investigation (BI) 2 - Special Background Investigation (SBI) 3 - Periodic Reinvestigation (PR)
REA line 1 48	Reason for Investigation  1 - Top Secret Material Access 2 - Critical Nuclear Weapon Position 3 - Limited Access Authorization 4 - SCI 5 - Critical Sensitive Position 6 - Crypto/Comsec 7 - SIOP/ESI
AGCNY line 1 50	Agency submitting request  1 - Military, Navy/Marine 2 - Military, Army 3 - Military, Air Force 4 - Civil Service 5 - Industrial
SEX line 1 52	Sex of Applicant  1 - Male 2 - Female

RACE	Race of Applicant
line 1	
54	1 - White
	2 - Black
	3 - Asian/Pacif Isl
	4 - Hispanic
	5 - American Ind/Alaskan
AGE	Age of Applicant at time request was submitted
line 1	
56-57	Two digit number
BKRP	Applicant filed for Bankruptcy
line 1	
59	1 - yes
	2 - no
BRPSQ	Applicant reported Bankruptcy of PSQ
line 1	
61	1 - yes
	2 - no
BRDIS	Applicant discussed Bankruptcy during interview
line 1	
63	1 - yes
	2 - no
BRCRD	Applicant's Bankruptcy was on the credit report
line 1	
65	1 - yes
	2 - no
WGARN	Applicant has a history of wage garnishment
line 1	
67	1 - yes
	2 - no
WGDIS	Applicant discussed garnishments during DIS
line 1	Interview
69	1 - Yes
	2 - No
WGCRD	Wage garnishment reflected on credit report
line 1	
71	1 - Yes
	2 - No
LIEN	Applicant has a history of liens
line 2	
1	1 - Yes
	2 - No

LIDIS line 2 3	Applicant discussed liens during DIS interview  1 - Yes 2 - No
LICRD line 2 5	Liens reflected on credit report  1 - Yes 2 - No
JUDG line 2 7	Applicant has a history of Judgments  1 - Yes 2 - No
JUDIS line 2 9	Applicant discussed judgments during DIS Interview  1 - Yes 2 - No
JUCRD line 2 11	Judgments reflected on credit report  1 - Yes 2 - No
HDLD Line 2 13	History of Delinquent Debt  1 - Yes 2 - No
HNAC120 line 2 15	Historical # of accounts 120 days or more past due  Code numerical 0 through 9
TIN120 line 2 17-18	Total # of incidents historically of accounts 120 days or more past due Code 2 digits numerical 0 through 30
HNAC90 line 2 20	Historical # of accounts 90 days past due  Code numerical 0 through 9
TIN90 line 2 22-23	Total # of incidents historically of accounts 90 days past due Code 2 digits numerical 0 through 30
HNAC60 line 2 25	Historical # of accounts 60 days past due  code numerical 0 through 9



TIN60 line 2 27-28	Total # of incidents historically of accounts 60 days past due Code 2 digits numerical 0 through 30
HNAC30 line 2 30	Historical # of incidents 30 days past due code numerical 0 through 9
TIN30 line 2 32-33	Total # of incidents historically of accounts 30 days past due Code 2 digits numerical 0 through 30
CDT120 line 2 35-36	# of accounts delinquent 120 days or more at time of investigation Code numerical from 0 through 10
CAM120 line 2 38-42	Total dollar amount of accounts delinquent 120 days of more Code numerical 5 digit dollar amount
CDT90 line 2 44-45	# of accounts delinquent 90 days at time of investigation Code numerical 0 through 10
CAM90 line 2 47-51	Total dollar amount of accounts delinquent 90 days Code numerical 4 digit dollar amount
CDT60 line 2 53-54	# of accounts delinquent 60 days at time of investigation code numerical from 0 through 10
CAM60 line 2 56-59	Total dollar amount of accounts delinquent 60 days Code numerical 4 digit dollar amount
CDT30 line 2 61-62	# of accounts delinquent 30 days at time of investigation code numerical from 0 through 10
CAM30 line 2 64-67	Total dollar amount of accounts delinquent 30 days Code numerical 4 digit dollar amount
INVEX line 2 69	Investigation was expanded  1 - Yes 2 - No

CLGR  
line 2  
71

Applicant was granted a security clearance

- 1 - Clearance denied
- 2 - Clearance pending
- 3 - Clearance granted

## APPENDIX C

### DCII ELIGIBILITY AND ACCESS CODES

CODE	MEANING
B	SCI DENIED
D	CLEARANCE DENIED
F	SCI REVOKED - INELIGIBLE FOR CLEARANCE
Q	NO CLEARANCE/ACCESS REQUIRED - FAVORABLE INVESTIGATION
R	CLEARANCE REVOKED
S	SECRET CLEARANCE GRANTED
T	TOP SECRET CLEARANCE GRANTED
V	TOP SECRET - SCI ELIGIBLE
X	FINAL CLEARANCE DETERMINATION PENDING
Y	PENDING FINAL ADJUDICATION/ACCESS SUSPENDED
Z	ADJUDICATION ACTION INCOMPLETE DUE TO LOSS OF JURISDICTION
3	PENDING REPLY TO LETTER OF INTENT/STATEMENTS OF REASONS
4	CLEARANCE ADMINISTRATIVELY WITHDRAWN

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Thesis

H52894 Hill

c.1      Impact of altering the  
delinquent debt threshold  
used for background in-  
vestigation expansion on  
the denial rate of  
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Thesis

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